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Message Text

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INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-10 L-03 ACDA-12
NSAE-00 PA-02 SS-15 SP-02 ICA-20 TRSE-00 IO-14
ABF-01 OMB-01 EB-08 COME-00 /106 W
----------046789 171735Z /43
R 171529Z APR 78
FM USMISSION USNATO
TO SECSTATE WASHDC 0822
SECDEF WASHDC
CINCUSAREUR HEIDELBERG GER
CINCUSNAVEUR LONDON ENG
CINCUSAFE RAMSTEIN AB GER
USCINCEUR VAIHINGEN GER
INFO DA WASHDC
CSAF WASHDC
CNO WASHDC
JCS WASHDC
CDR NSSG(US) SHAPE BE

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DEF FOR ISA AND COMPTROLLER, CINCEUR FOR J-4/7, DA FOR
DCSLOG AND COMPTROLLER

E.O. 11652: N/A
TAGS: MARR NATO
SUBJECT: AVAILABILITY OF FUNDS TO COVER FISCAL YEARS 1978-
1979 INFRASTRUCTURE OBLIGATIONS AND REQUIREMENT TO
EXPEDITE PREFINANCING RECOUPMENT ACTIONS

REF NSSG MSG 131531 APR 78 (NOTAL)
SUMMARY. RECENT ACCELERATION OF NATO INFRASTRUCTURE
FUND APPROVALS COMBINED WITH CONTINUED WEAKENING OF THE
DOLLAR AGAINST THE INFRASTRUCTURE ACCOUNTING UNIT (IAU)
HAVE RESULTED IN A POTENTIAL SHORTAGE IN US FUNDS TO MEET
OUR NATO COMMITMENTS IN BOTH FY78 AND 79. FY78 PROBLEM
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CAN PROBABLY BE MANAGED BY DEFERRING OBLIGATION FOR
CURRENCY REVALUATION UNTIL 1 OCT 78 AND BY ACCELERATED
RECOUPMENT ACTION. FY79 SHORTAGE WILL REQUIRE SUPPLE-
MENTAL APPROPRIATION AND SOME ADDITIONAL AUTHORIZATION TO
OFFSET WEAKENING OF US DOLLAR. WE WILL ALSO NEED
EXCEPTIONAL RECOUPMENT ACTION ON SLICE XXIX PROJECTS
AND AN OSD RULING CONCERNING DISPOSITION OF RECOUPED

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FUNDS. ACTION REQUESTED: OSD AUTHORITY TO POSTPONE OBLIGATION, RULING ON RECOUPED FUNDS, AND ACTION ON SUPPLEMENTAL APPROPRIATION; EUCOM/COMPONENT COMMAND ACTIONS IN ACCELERATING RECOUPMENT; AND DA ACTION IN FUND ALLOTMENT TO NSSG. END SUMMARY.

1. REFTEL REPORTS ONLY $30.3 MILLION REMAINING ON 31 MARCH 1978 IN FY 1978 FUNDS FOR US OBLIGATION TO NATO INFRASTRUCTURE FUNDS. AN ADDITIONAL $8.3 MILLION HAS BEEN OBLIGATED THROUGH 13 APRIL 78. TO THE REMAINING $22 MILLION WILL BE ADDED THE $4 MILLION ALLOCATION TO NSSG FROM THE PREFINANCING SUSPENSE ACCOUNT, RESULTING IN A NET AVAILABILITY OF $26 MILLION THROUGH END FY78.

2. EXPERIENCE TO DATE SHOWS THAT PAYMENTS AND PROGRESS COMMITTEE (PPC) FUND AUTHORIZATIONS FOR THE 19 MEETINGS IN FY 78 HAVE AVERAGED $2.27 M. IN ADDITION, WE WERE REQUIRED TO OBLIGATE $9.5M IN JANUARY 1978 AGAINST OUR UNLIQUIDATED OBLIGATIONS TO ACCOUNT FOR THE WEAKENING OF THE US DOLLAR. OUR REMAINING FUNDS WILL COVER AN AVERAGE OF ONLY SOME $1.625 M FOR THE 16 PPC MEETINGS PRIOR TO THE END OF FY78.

3. WE NOTE THAT THREE OF THE REMAINING MEETINGS OCCUR IN SEPTEMBER 1978, AND WE COULD MAKE FUND AUTHORIZATIONS IN THAT PERIOD SUBJECT TO CONFIRMATION UNTIL 1 OCTOBER WHEN FY79 WOULD BECOME AVAILABLE. WHILE SUCH SHORT-TERM UNCLASSIFIED

DELAYS HAVE BEEN ACCEPTED OCCASIONALLY WITH ONLY MINOR EXPRESSIONS OF ANNOYANCE BY OUR COLLEAGUES ON THE PPC, THEY SHOULD BE USED ONLY AS A LAST RESORT. EVEN THIS, HOWEVER, WOULD RESULT IN A FUND AVAILABILITY OF ONLY $2 M FOR EACH OF THE REMAINING 13 MEETINGS.

4. WE FORESEE A FURTHER FUND PROBLEM ON 1 JULY 1978 WHEN THE EXCHANGE RATE OF THE DOLLAR AGAINST THE IAU WILL BE ADJUSTED AGAIN. WE PREDICT THAT THE NEW RATE WILL BE ABOUT $4.30/IAU, REQUIRING THAT WE OBLIGATE AN ADDITIONAL $30 M AGAINST UNLIQUIDATED OBLIGATIONS. OBVIOUSLY, WE WILL NOT BE ABLE TO TAKE THAT ACTION PRIOR TO RECEIPT OF FY79 FUND ALLOTMENTS.

5. IF THE US INFRASTRUCTURE ACCOUNT IS TO REMAIN SOL-VENT THROUGH FY78, WE WILL NEED AUTHORITY TO POSTPONE THE 1 JULY CURRENCY REVALUATION OBLIGATION TO 1 OCT 78. AS A SAFETY FACTOR, IN CASE SOME OF THE IMPENDING LARGE ($3-6 MILLION) PROJECTS REQUIRE EARLY FUND AUTHORIZATION, WE BELIEVE WE SHOULD ALSO EXPEDITE RECOUPMENT OF THE SOME $34 M DUE FROM NATO-PROGRAMMED PREFINANCED PROJECTS. GIVEN OUR CARRYOVER OF $30 M IN CONGRESSIONAL AUTHORIZA-

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TION (AS CONTRASTED TO APPROPRIATION), SUCH FUNDS COULD
BE READILY REPROGRAMMED TO COVER ANY SHORTAGE.
6. THE FEBRUARY 1978 OSD REPORT ON PREFINANCING
INDICATES THE FOLLOWING STATUS OF THE $34.4 M:

.	ARMY	NAVY	AF
ELIGIBLE - AWAITING NATO AUTHORIZATION	2.1	2.9	2.9
NATO AUTHORIZED, NOT BILLED	1.1	2.8	10.9
BILLED, AWAITING RECOUPMENT	0	5.3	6.4

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R 171529Z APR 78
FM USMISSION USNATO
TO SECSTATE WASHDC 0823
SECDEF WASHDC
CINCUSAREUR HEIDELBERG GER
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TOTAL IN APPROVED SLICES	3.2	11.0	20.2

SINCE THESE FIGURES HAVE BEEN DERIVED FROM EUCOM REPORTS
AS OF 1 OCT 77, WE ASSUME THAT SOME PROJECTS HAVE SINCE
MOVED THROUGH THE AUTHORIZATION AND BILLING STAGES AND
THAT ADDITIONAL SUMS HAVE BEEN, OR ARE READY TO BE,
COLLECTED. IF EVEN HALF OF THESE PAST-DUE COLLECTIONS
CAN BE MADE URGENTLY AND REPROGRAMMED INTO THE ARMY
MILITARY CONSTRUCTION (MCA) LINE ITEM FOR NATO INFRA-
STRUCTURE, WE BELIEVE OUR FINANCIAL POSITION WOULD BE

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RELATIVELY SECURE. WE STAND READY TO ASSIST OR ADVISE THE RESPONSIBLE AGENCIES ON ANY DIFFICULT COLLECTION PROBLEMS.

7. ABOVE DISCUSSION ADDRESSES METHODS TO KEEP US

FINANCIALLY SOLVENT UNTIL 1 OCT 78. ON THAT DATE THE FY 79 AUTHORIZATION AND TOTAL OBLIGATION AUTHORITY (TOA) OF $90 M BECOMES AVAILABLE. IT SHOULD BE NOTED, HOWEVER, THAT CONGRESS IS CONSIDERING ONLY $70 M OF NEW OBLIGATION AUTHORITY (NOA) WITH THE REMAINING $20 M TO COME FROM RECOUPMENTS FOR PREFINANCED PROJECTS (WORTH SOME $70 M) INCLUDED IN SLICE XXIX, TO BE APPROVED THIS SUMMER. IT IS IMPORTANT, THEREFORE, THAT ACTION BE INITIATED AS EARLY AS POSSIBLE TO RECOUP AT LEAST THAT AMOUNT FROM SLICE XXIX PROJECTS BY VERY EARLY 1979.

8. IN RESPECT TO SLICE XXIX RECOUPMENT, WE LEARNED DURING THE RECENT EUCOM INFRASTRUCTURE PLANNING CONFERENCE IN RAMSTEIN THAT USAFE INTENDS, IN CONFORMITY WITH OSD DIRECTIVE 2010.5, TO CANCEL US FUND COMMITMENTS TO SLICE XXIX PREFINANCED PROJECTS IN THE UK AS SOON AS THE SLICE IS APPROVED BY NATO, THUS TRANSFERRING ANY OBLIGATIONS FOR UNEXPENDED BALANCES OF CONTRACTS TO DIRECT NATO FUNDING. WE WERE TOLD THAT ONLY THE FUNDS ACTUALLY EXPENDED ON SUCH PROJECTS AND SUBSEQUENTLY RECOUPED FROM MOD UK WOULD BE REPROGRAMMED INTO THE MCA NATO INFRASTRUCTURE LINE ITEM. THE CANCELLED FUNDS (A MAJOR PORTION OF THE $70 MILLION PROGRAMMED IN SLICE XXIX) WOULD BE REPROGRAMMED THROUGH USAF CHANNELS AGAINST UNFUNDED AIR FORCE CONSTRUCTION AUTHORIZATIONS. THERE APPEARED TO BE A LIKELIHOOD THAT SOME OF SUCH FUNDS, FOR WHICH AUTHORIZATION HAD EXPIRED, WOULD REVERT TO MISCELLANEOUS RECEIPTS OF THE US TREASURY, AND HENCE BE LOST TO BOTH THE AIR FORCE AND TO INFRASTRUCTURE.

9. WHILE WE HAVE NO MAJOR OBJECTION TO THE ABOVE PROCEDURE IF IT COMPLIES WITH THE LAW, WE HAD UNDERSTOOD THAT ALL US FUND OBLIGATIONS AGAINST CONTRACTS ACTUALLY AWARDED FOR US PREFINANCED PROJECTS WOULD REVERT TO THE

MCA NATO INFRASTRUCTURE LINE ITEM. WE HAVE REPEATEDLY SO INFORMED CONGRESSIONAL SUBCOMMITTEES, MOST RECENTLY THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON MILITARY CONSTRUCTION IN EARLY MARCH 1978 IN RESPONSE TO INTENSIVE QUESTIONING ON PREFINANCING AND RECOUPMENT. WE ALSO SO

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INFORMED MR. MCELIECE OF THE HOUSE SURVEYS AND INVESTI-
GATION TEAM DURING HIS VISIT IN LATE MARCH. IF, THEREFORE,
THE USAFE PLAN IS SUPPORTED BY OSD, TESTIMONY TO THE FOUR
RELEVANT CONGRESSIONAL COMMITTEES AND TO THE S AND I
TEAM SHOULD BE CORRECTED.

10. EVEN WITH SUFFICIENT RECOUPMENTS TO RESTORE THE
FULL AMOUNT OF THE TOA OF $90 M IN FY79, WE WILL HAVE
A DEFICIT OF AT LEAST $30 M BECAUSE OF THE JULY 78
REVALUATION OF EXCHANGE RATES AND FUTURE WEAKENING OF THE
DOLLAR COULD ADD TO THAT DEFICIT. IT WOULD APPEAR, THERE-
FORE, THAT THERE WILL BE A REQUIREMENT FOR AT LEAST $30 M
IN SUPPLEMENTAL APPROPRIATION AND PERHAPS SOME ADDITIONAL
AUTHORIZATION FOR FY79. SUGGEST THAT THIS REQUIREMENT
BE ADDED TO THE SIMILAR ARMED SERVICES REQUEST AT THE
APPROPRIATE TIME.

11. IN SUMMARY, REQUEST THEREFORE:

A. FOR FY78

(1) AUTHORITY TO POSTPONE ADDITIONAL OBLIGATION AGAINST
CURRENCY REVALUATION FROM 1 JULY 78 TO 1 OCT 78.
(2) USEUCOM AND COMPONENT COMMANDS URGENT ACTION TO
RECOUP PAST-DUE PREFINANCED FUNDS.

(3) DA ACTION TO ALLOT TO NSSG THE $4 M FROM FY78 TOA

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AND ANY FURTHER EARLY RECOUPMENTS FROM SUBPARA (2) ABOVE.

(B) FOR FY79

(1) USAFE ACTION TO RECOUP SLICE XXIX FUNDS (AT LEAST $20 M) BY EARLY 1979.

(2) OSD RULING ON USAFE PROPOSAL TO DISPOSE OF RECOUPED FUNDS PER PARA 8 ABOVE. (IN THE EVENT OSD APPROVES PROPOSAL, REQUEST APPROPRIATE CONGRESSIONAL ENTITIES BE ADVISED.)

(3) OSD CONSIDERATION OF SUPPLEMENTAL APPROPRIATION OR OTHER METHOD TO OFFSET EFFECTS OF WEAKENED DOLLAR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FUND ALLOTMENT, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 17 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978USNATO03922
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780164-0384
Format: TEL
From: USNATO
Handling Restrictions: n/a
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Legacy Key: link1978/newtext/t19780447/aaaaboin.tel
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Original Classification: UNCLASSIFIED
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Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Reference: n/a
Retention: 0
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
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Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2940049
Secure: OPEN
Status: NATIVE
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TAGS: MARR, EFIN, NATO
To: STATE DOD
Type: TE
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